

**FARMINGTON SCHOOL DISTRICT #6**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# FARMINGTON SCHOOL DISTRICT #6

JUNE 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
**Farmington School District #6**  
Farmington, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of **Farmington School District #6** (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2018, or its changes in fund balances for the year then ended.

#### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis fund balances of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2018, and their respective regulatory basis changes in fund balances thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements as a whole. The Schedule of Capital Assets (Unaudited), which is the responsibility of management, is presented for the purpose of additional analysis and in compliance with state statute. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated February 4, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

*Landmark PLC*

**LANDMARK PLC  
CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas  
February 4, 2019

**FARMINGTON SCHOOL DISTRICT #6**  
**BALANCE SHEET – REGULATORY BASIS**  
**JUNE 30, 2018**

**ASSETS**

	Governmental Funds				Total	
	Major			Fiduciary Funds		
	General Fund	Special				Other Funds in Aggregate
		Revenue Fund				
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,008,917	\$ 17,009	\$ 6,973,336	\$ 59,775	\$ 8,059,037	
Deposits with paying agents	-	-	68,394	-	68,394	
Due from other funds	-	69,431	-	-	69,431	
Receivables	-	101,189	-	-	101,189	
Total assets	\$ 1,008,917	\$ 187,629	\$ 7,041,730	\$ 59,775	\$ 8,298,051	

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>					
Accounts payable	\$ -	\$ 71,743	\$ -	\$ -	\$ 71,743
Due to other funds	69,431	-	-	-	69,431
Due to student groups	-	-	-	52,351	52,351
Total liabilities	69,431	71,743	-	52,351	193,525
<b>Fund balances</b>					
Restricted	197,985	103,756	7,041,730	-	7,343,471
Assigned	248,116	12,130	-	7,424	267,670
Unassigned	493,385	-	-	-	493,385
Total fund balances	939,486	115,886	7,041,730	7,424	8,104,526
Total liabilities and fund balances	\$ 1,008,917	\$ 187,629	\$ 7,041,730	\$ 59,775	\$ 8,298,051

See Independent Auditor's Report and Notes to Financial Statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS – REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<b>Major</b>			
	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Funds in Aggregate</b>	<b>Total</b>
<b>REVENUES</b>				
Local property taxes	\$ 7,420,240	\$ -	\$ -	\$ 7,420,240
Other local revenues	614,827	407,207	-	1,022,034
State assistance	13,428,704	7,454	1,469,212	14,905,370
Restricted Federal aid	-	1,518,453	-	1,518,453
	<u>21,463,771</u>	<u>1,933,114</u>	<u>1,469,212</u>	<u>24,866,097</u>
<b>EXPENDITURES</b>				
Regular programs	7,912,299	3,391	-	7,915,690
Special education	1,366,004	262,628	-	1,628,632
Vocational education	767,523	-	-	767,523
Compensatory education	99,469	322,226	-	421,695
Other instructional programs	1,258,845	-	-	1,258,845
Activity expenditures	633,421	8,042	-	641,463
Facilities acquisition and construction	-	-	4,509,107	4,509,107
Food service	-	1,042,647	-	1,042,647
Operation and maintenance	2,233,210	-	-	2,233,210
Student transportation	776,375	-	-	776,375
Support services	4,053,473	313,752	-	4,367,225
Debt service				
Principal	-	-	1,397,704	1,397,704
Repayments of warrants	-	-	110,000	110,000
Interest and fiscal charges	-	-	875,301	875,301
	<u>19,100,619</u>	<u>1,952,686</u>	<u>6,892,112</u>	<u>27,945,417</u>
<b>EXCESS REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>2,363,152</u>	<u>(19,572)</u>	<u>(5,422,900)</u>	<u>(3,079,320)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain on Sale of Fixed Assets	1,409	850	157,037	159,296
Proceeds from bonds	-	-	4,401,622	4,401,622
Transfers in	27,883,954	2,000	2,618,664	30,504,618
Transfers out	(30,259,700)	-	(244,918)	(30,504,618)
	<u>(2,374,337)</u>	<u>2,850</u>	<u>6,932,405</u>	<u>4,560,918</u>
<b>NET CHANGE IN FUND BALANCES</b>	(11,185)	(16,722)	1,509,505	1,481,598
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>950,671</u>	<u>132,608</u>	<u>5,532,225</u>	<u>6,615,504</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 939,486</u>	<u>\$ 115,886</u>	<u>\$ 7,041,730</u>	<u>\$ 8,097,102</u>

See Independent Auditor's Report and Notes to Financial Statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND –**  
**REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Local property taxes	\$ 6,945,200	\$ 7,420,240	\$ 475,040
Other local revenues	510,466	614,827	104,361
State assistance	12,567,890	13,428,704	860,814
	<u>20,023,556</u>	<u>21,463,771</u>	<u>1,440,215</u>
<b>EXPENDITURES</b>			
Regular programs	7,893,198	7,912,299	(19,101)
Special education	1,312,797	1,366,004	(53,207)
Vocational education	780,101	767,523	12,578
Compensatory education	101,887	99,469	2,418
Other instructional programs	1,267,602	1,258,845	8,757
Activity expenditures	-	633,421	(633,421)
Operation and maintenance	2,185,243	2,233,210	(47,967)
Student transportation	703,638	776,375	(72,737)
Support services	3,899,611	4,053,473	(153,862)
	<u>18,144,077</u>	<u>19,100,619</u>	<u>(956,542)</u>
<b>EXCESS REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>1,879,479</u>	<u>2,363,152</u>	<u>483,673</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Gain on Sale of Fixed Assets	-	1,409	1,409
Transfers in	29,891,072	27,883,954	(2,007,118)
Transfers out	(29,891,072)	(30,259,700)	(368,628)
	<u>-</u>	<u>(2,374,337)</u>	<u>(2,374,337)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 1,879,479</u>	<u>(11,185)</u>	<u>\$ (1,890,664)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>950,671</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 939,486</u>	

See Independent Auditor's Report and Notes to Financial Statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND –**  
**REGULATORY BASIS**  
**YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Other local revenues	\$ 414,422	\$ 407,207	\$ (7,215)
State assistance	7,497	7,454	(43)
Restricted Federal aid	1,619,159	1,518,453	(100,706)
	<u>2,041,078</u>	<u>1,933,114</u>	<u>(107,964)</u>
<b>EXPENDITURES</b>			
Regular programs	-	3,391	(3,391)
Special education	256,642	262,628	(5,986)
Compensatory education	325,988	322,226	3,762
Activity expenditures	-	8,042	(8,042)
Food service	991,465	1,042,647	(51,182)
Support services	334,861	313,752	21,109
	<u>1,908,956</u>	<u>1,952,686</u>	<u>(43,730)</u>
<b>EXCESS REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>132,122</u>	<u>(19,572)</u>	<u>(151,694)</u>
<b>OTHER FINANCING SOURCES</b>			
Gain on Sale of Fixed Assets	-	850	850
Transfers in	-	2,000	2,000
	<u>-</u>	<u>2,850</u>	<u>2,850</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 132,122</u>	<u>(16,722)</u>	<u>\$ (148,844)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>132,608</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 115,886</u>	

See Independent Auditor's Report and Notes to Financial Statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

Farmington School District #6 (the "District") is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board and the Superintendent. The statements reflect all funds and accounts directly under the control of the District. Using the criteria of financial accountability, there are no component units that are or should be included in the District's reporting entity.

***Basis of Presentation***

The financial statements were prepared in accordance with the regulatory basis of accounting. The basis of accounting is prescribed by the Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to the financial statements; and a supplemental schedule of capital assets, including land, building, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The regulatory basis of accounting is not in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally GAAP requires the following major concepts: Management Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of accounting does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

***Revenue Recognition Policies***

Revenues are recognized when they become susceptible to accrual in accordance with the regulatory basis of accounting, except for property taxes (see Property Taxes below).

***Capital Assets***

Information on capital assets and related depreciation is reported in the supplementary information. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years.

***Property Taxes***

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Arkansas Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2017 calendar year taxes collected by June 30, 2018 and 24 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes collected by June 30, 2018 equaled or exceeded the 24 percent calculation.

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills of maintenance and operation of public schools. Arkansas Code Ann. § 26-80-101 provides the uniform rate of tax shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the uniform rate of tax shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, the uniform rate of tax revenues are considered property taxes.

***Fund Balance Classifications***

Fund balances represent the difference between assets and liabilities and are categorized as follows:

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

*Restricted fund balance* – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Assigned fund balance* – represents amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned fund balance* – represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

For the purpose of fund balance classifications, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

***Interfund Receivables and Payables***

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

***Budget and Budgetary Accounting***

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis and is required to be submitted to the Arkansas Department of Education no later than September 30 of that year. The District does not prepare and submit amended budgets during the fiscal year. The annual budget is prepared on the regulatory basis of accounting.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

***Subsequent Events***

Subsequent events are evaluated through the date the financial statements were available to be issued, which is the date of the Independent Auditor's Report.

***Stabilization Arrangements***

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

***Use of Estimates***

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

***Description of Funds***

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

*General Fund* – The General Fund is used to account for all resources not accounted for and reported in another fund.

*Special Revenue Fund* – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes Federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those Federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other funds, presented in the aggregate, consist of the following:

*Capital Projects Fund* – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Project Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Debt Service Fund* – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

*Agency Funds* – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 599,004	\$ 599,004
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>7,460,033</u>	<u>9,762,284</u>
Total Deposits	<u>\$ 8,059,037</u>	<u>\$ 10,361,288</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018 was comprised of the following:

	<u>Governmental Funds</u>	
	<u>Major</u>	
<u>Description</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Federal aid	<u>\$ -</u>	<u>\$ 101,189</u>

**NOTE 4: ON-BEHALF PAYMENTS**

The allocation of health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$317,396 for the year ended June 30, 2018.

**NOTE 5: PRIVATE PURPOSE TRUST FUND**

The District maintains a private purpose trust fund used to issue scholarships. The District received \$6,000 in contributions to the trust fund in the current year and \$969 in scholarships were paid. The balance remaining in this fund at June 30, 2018 is \$7,424.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6: INTERFUND TRANSFERS**

Transfers between funds during the year ended June 30, 2018 were as follows:

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Operating Fund	\$ 17,762,779	\$ 30,259,700
Teacher Salary Fund	10,121,175	-
Special Revenue Fund	2,000	-
Other Funds in Aggregate		
Debt Service	2,187,805	-
Building Fund	430,859	244,918
	<u>\$ 30,504,618</u>	<u>\$ 30,504,618</u>

**NOTE 7: RETIREMENT PLAN**

***Arkansas Teacher Retirement System***

***Plan Description***

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

***Funding Policy***

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the years ended June 30, 2017, June 30, 2016, and June 30, 2015, were \$1,733,983; \$1,658,451; and \$1,583,814, respectively, equal to the required contributions.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

*Net Pension Liability*

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$17,566,792.

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District carries commercial insurance for buildings, contents, board liability, student accident, and business trip accidental death and dismemberment.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating, and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

The District also participates in the Public School Property and Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of vehicles.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9: COMMITMENTS**

***General Obligation Bonds***

The District issues general obligation bonds to provide funds for the acquisition, construction and operation of major capital facilities. General obligation bonds have been issued for the general government and to refund general obligation bonds. General obligation bonds are direct obligations and are secured by the full faith credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option allowing bonds to be called in inverse numerical order on or after a specific date for redemption prior to maturity.

The following is a summary of the District's bond transactions for the year ended June 30, 2018:

<b>Date of Issue</b>	<b>Bonds Payable June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Bonds Payable June 30, 2018</b>
December 1, 2004	\$ 90,000	\$ -	\$ 45,000	\$ 45,000
September 1, 2005	28,499	-	5,699	22,800
May 1, 2007	500,000	-	40,000	460,000
November 1, 2007	12,005	-	12,005	-
April 1, 2009	445,000	-	445,000	-
October 1, 2010	560,000	-	35,000	525,000
September 1, 2011	1,010,000	-	145,000	865,000
July 1, 2012	8,075,000	-	340,000	7,735,000
December 1, 2013	9,825,000	-	-	9,825,000
October 1, 2015	4,205,000	-	180,000	4,025,000
July 6, 2016	3,690,000	-	-	3,690,000
December 28, 2016	3,610,000	-	150,000	3,460,000
December 12, 2017	-	4,500,000	-	4,500,000
	<u>\$ 32,050,504</u>	<u>\$ 4,500,000</u>	<u>\$ 1,397,704</u>	<u>\$ 35,152,800</u>

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,365,700	\$ 959,198	\$ 2,324,898
2020	1,745,700	934,559	2,680,259
2021	1,775,700	902,383	2,678,083
2022	1,810,700	868,257	2,678,957
2023	1,850,000	830,920	2,680,920
2024-2028	9,630,000	3,471,596	13,101,596
2029-2033	10,400,000	2,074,314	12,474,314
2034-2038	4,620,000	647,989	5,267,989
2039-2043	900,000	277,975	1,177,975
2044-2048	1,055,000	112,875	1,167,875
	<u>\$ 35,152,800</u>	<u>\$ 11,080,066</u>	<u>\$ 46,232,866</u>

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue	Interest Rate Percent	Date of Final Maturity	Debt Outstanding June 30, 2018
December 1, 2004	\$ 525,000	4.00	2/1/2019	\$ 45,000
September 1, 2005	120,000	0.00	9/1/2021	22,800
May 1, 2007	110,000	3.75 / 4.00	2/1/2027	460,000
November 1, 2007	850,000	2.00	11/1/2017	-
April 1, 2009	3,875,000	1.25 / 3.10	6/1/2018	-
October 1, 2010	750,000	2.00 / 3.375	8/1/2030	525,000
September 1, 2011	1,710,000	2.00 / 3.00	8/1/2026	865,000
July 1, 2012	9,695,000	1.125 / 3.25	6/1/2036	7,735,000
December 1, 2013	9,825,000	1.75 / 4.00	6/1/2033	9,825,000
October 1, 2015	4,630,000	1.00 / 3.25	2/1/2036	4,025,000
July 6, 2016	3,690,000	1.00 / 2.75	2/1/2036	3,690,000
December 28, 2016	3,610,000	1.25 / 2.70	6/30/2036	3,460,000
December 12, 2017	4,500,000	2.00 / 3.50	6/30/2048	4,500,000

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

***Qualified Zone Academy Bond (QZAB)***

On September 1, 2005, the District obtained funding through the Qualified Zone Academy Bond (QZAB) program, a financial arrangement authorized under the Taxpayer Relief Act of 1997. A QZAB does not generally require interest payments from the borrower. The eligible financial institution holding the bond receives a tax credit in lieu of interest payments. The principal is not due until the end of the term. The District borrowed \$120,000 through this program by issuing a second lien commercial bond.

The District will deposit \$5,700 annually into a sinking fund for 16 years for a total of \$91,200. This amount plus interest will be used to retire debt when due.

Additionally, on November 1, 2007, the District borrowed \$110,000 by issuing postdated warrants. The interest rate on the debt is 2%. The District is required to remit annual payments of \$12,246 for ten years to retire this debt. This debt was paid in full during the year ended June 30, 2018

***Operating Leases***

The District maintains operating leases (non-capital leases with initial non-cancellable lease terms in excess of one year) for office equipment. Rental payments for the operating leases were approximately \$75,439 for the year ended June 30, 2018. Future minimum rental payments for the succeeding years are as follows:

Year ended June 30,	
2019	\$ 52,135
2020	51,494
2021	49,716
2022	1,890
2023	-
Thereafter	-
	<hr/>
	<u>\$ 155,235</u>

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10: GOVERNMENTAL FUND BALANCES**

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Bilingual education	\$ 3,174	\$ -	\$ -
Capital improvement	-	-	6,973,336
eMints	16,877	-	-
E-Rate	21,316	-	-
Lunch programs	21,657	-	-
Medicaid	-	29,439	-
Sinking fund	-	-	68,394
Special education programs	18,769	-	-
Vocational education programs	14,627	-	-
Other purposes	101,565	74,317	-
Total Restricted	<u>197,985</u>	<u>103,756</u>	<u>7,041,730</u>
Assigned to:			
Performing arts center	5,337	-	-
Other purposes	242,779	12,130	-
Total Assigned	<u>248,116</u>	<u>12,130</u>	<u>-</u>
Unassigned	<u>493,385</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 939,486</u>	<u>\$ 115,886</u>	<u>\$ 7,041,730</u>

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent to June 30, 2018, the District issued a new bond. The bond issuance occurred in September 2018 for a \$29,500,000 bond to finance construction and refund the May 1, 2007, October 1, 2010, September 1, 2011, July 1, 2012 and December 1, 2013 bonds, and erecting and equipping new school facilities and making additions and improvements to existing facilities. The bond matures February 1, 2048.

## **SUPPLEMENTARY INFORMATION**

**FARMINGTON SCHOOL DISTRICT #6**  
**SCHEDULE OF CAPITAL ASSETS (UNAUDITED)**  
**JUNE 30, 2018**

Non-depreciable capital assets	
Land	<u>\$ 2,598,308</u>
Depreciable capital assets	
Buildings	53,661,312
Improvements	1,557,251
Equipment	<u>3,103,596</u>
	58,322,159
Less accumulated depreciation	<u>12,681,930</u>
Total depreciable capital assets	45,640,229
Construction in progress	<u>2,849,182</u>
Capital assets, net	<u><u>\$ 51,087,719</u></u>

**FARMINGTON SCHOOL DISTRICT #6**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

<u>Cluster / Program</u>	<u>Federal Agency / Pass-Through Entity</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
<b>Child Nutrition Cluster</b>	<b>U.S. Department of Agriculture</b>		
School Breakfast Program (SBP)	Passed Through State Department of Education	10.553	\$ 136,028
Food Distribution - cash	Passed Through State Department of Education	10.555	12,853
National School Lunch Program (NSLP)	Passed Through State Department of Education	10.555	<u>391,570</u>
	<b>Total State Department of Education</b>		<u>540,451</u>
Commodities	AR Department of Health and Human Services	10.553	<u>83,384</u>
	<b>Total Child Nutrition Cluster</b>		<u>623,835</u>
<b>Other Programs</b>	<b>U.S. Department of Education</b>		
E.S.E.A. Title I, Part A Title I Grant to Local Education Agencies	Passed Through State Department of Education	84.010	278,309
Special Education Cluster (IDEA) Grants to States (IDEA, Part B)	Passed Through State Department of Education	84.027	<u>430,510</u>
	<b>Total State Department of Education</b>		<u>708,819</u>
	<b>Total Other Programs</b>		<u>708,819</u>
	<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 1,332,654</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

**FARMINGTON SCHOOL DISTRICT #6**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of Farmington School District #6 under programs of the Federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

***Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Medicaid***

During the year ended June 30, 2018, the District received Medicaid funding of \$47,829 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the Schedule.

***Subrecipients***

Of the Federal expenditures presented in this schedule, the District did not provide any Federal awards to subrecipients.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the School Board  
**Farmington School District #6**  
Farmington, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Farmington School District #6 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, as listed in the table of contents, and have issued our report thereon dated December 21, 2017. The District has prepared the financial statements using accounting practices prescribed or permitted by the State of Arkansas, which practices differ from accounting principles generally accepted in the United States of America. Our report expressed an unqualified opinion that the financial statements are fairly presented, in all material respects, in accordance with the regulatory basis of accounting.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs as item 2018-001, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As described above, we identified a certain deficiency in internal control that we consider to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Landmark PLC*

**LANDMARK PLC  
CERTIFIED PUBLIC ACCOUNTANT**

Rogers, Arkansas  
February 4, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the School Board  
Farmington School District #6  
Farmington, Arkansas

**Report on Compliance for Each Major Federal Program**

We have audited **Farmington School District #6's** (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The entity's major Federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the entity's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the entity's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Landmark PLC*

**LANDMARK PLC  
CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas  
February 4, 2019

**FARMINGTON SCHOOL DISTRICT #6**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

1. The opinion expressed in the independent auditor's report for the GAAP basis of accounting was:

☐ Unmodified    ☐ Qualified    ☒ Adverse    ☐ Disclaimer

2. The opinion expressed in the independent auditor's report for the regulatory basis of accounting was:

☒ Unmodified    ☐ Qualified    ☐ Adverse    ☐ Disclaimer

3. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

4. Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes    ☒ No

5. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on each major Federal awards program disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

6. The opinions expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major Federal awards program were:

☒ Unmodified    ☐ Qualified    ☐ Adverse    ☐ Disclaimer

7. The audit disclosed findings required to be reported by the Uniform Guidance?

☐ Yes    ☒ No

**FARMINGTON SCHOOL DISTRICT #6**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS – CONTINUED**

8. The District's major programs were:

<u>Cluster / Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program (SBP)	10.553
Food Distribution - cash	10.555
Commodities	10.553
National School Lunch Program (NSLP)	10.555

9. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

10. The District qualified as a low-risk auditee as that term is defined in the Uniform Guidance? ☐ Yes ☒ No

**FARMINGTON SCHOOL DISTRICT #6**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2018**

**II. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**2018-001: Segregation of Duties**

**Condition:** To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. During the year ended June 30, 2018, the District did not have a process in place to ensure proper segregation of duties.

**Criteria and Cause:** A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize transactions, record transactions and maintain custody of assets of the District. During the year ended June 30, 2018, we noted that the Finance Director had full system access to the accounting records and has the ability to post journal entries without oversight.

**Effect:** Under the current process, a fraudulent or incorrect transactions could be recorded by the Finance Director without being detected. This lack of proper segregation of duties increases the risk that errors or fraud may occur and not be detected in a timely manner.

**Recommendation:** We strongly suggest that record keeping, authorization and journal entry posting be segregated. Furthermore, we suggest limiting the Finance Director's accounting system access. These modifications to the procedures will greatly strengthen internal controls over this area.

**Views of Responsible Officials and Planned Corrective Actions:** The District will make every effort to implement the recommended procedures in order to strengthen internal controls.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**FARMINGTON SCHOOL DISTRICT #6**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2018**

**2017-001: Segregation of Duties**

**Condition:** To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. During the year ended June 30, 2017, the District did not have a process in place to ensure proper segregation of duties.

**Criteria and Cause:** A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize transactions, record transactions and maintain custody of assets of the District. During the year ended June 30, 2017, we noted that the Finance Director had full system access to the accounting records and has the ability to post journal entries without oversight.

**Effect:** Under the current process, a fraudulent or incorrect transactions could be recorded by the Finance Director without being detected. This lack of proper segregation of duties increases the risk that errors or fraud may occur and not be detected in a timely manner.

**Recommendation:** We strongly suggest that record keeping, authorization and journal entry posting be segregated. Furthermore, we suggest limiting the Finance Director's accounting system access. These modifications to the procedures will greatly strengthen internal controls over this area.

**Views of Responsible Officials and Planned Corrective Actions:** The District will make every effort to implement the recommended procedures in order to strengthen internal controls.

**Status:** This finding has not been corrected by the District. See current year finding 2018-001.

**2017-002: Documentation**

**Condition:** During the year ended June 30, 2017, the District had difficulty locating certain records that were requested as a part of the audit process.

**Criteria and Cause:** The availability of records and documentation can be critical to an organization in the event of an audit by Federal agencies, a lawsuit, an insurance claim, or any number of other circumstances. During the year ended June 30, 2017, we noted that the documentation for selected journal entries was difficult to locate.

**Effect:** Under the current process, errors or omissions in debt might not be prevented or detected on a timely basis by the District's management.

**FARMINGTON SCHOOL DISTRICT #6  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2018**

**Recommendation:** We recommend that the District implement accounting policies and procedures to ensure a proper recordkeeping system.

**Views of Responsible Officials and Planned Corrective Actions:** The District will make every effort to implement the recommended procedures in order to strengthen internal controls.

**Status:** The finding has been corrected by the District.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH ARKANSAS STATE REQUIREMENTS**

The School Board  
**Farmington School District #6**  
Farmington, Arkansas

We have examined management's assertions that **Farmington School District #6** (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended June 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, including examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2018.

This report is intended solely for the information and use of the School Board, management and the Arkansas Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Landmark PLC*

**LANDMARK PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Rogers, Arkansas  
February 4, 2019

**FARMINGTON SCHOOL DISTRICT #6  
SUPPLEMENTAL DATA SHEET REQUIRED BY THE  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
JUNE 30, 2018**

Name and address:	Farmington School District #6 42 South Double Springs Rd. Farmington, AR 72730
Employer Identification Number:	71-6038635
Telephone number:	(479) 266-1803
Superintendent:	Bryan Law
Contact Person:	Mandy Uher
Audit fee:	Available upon request